



May 26, 2015

Mr. Pedro Galva
President
The College of Office Technology
1520 West Division Street
Chicago, IL 60622

Certified Mail
Return Receipt Requested
7012 1640 0000 0216 6110

RE: **Final Program Review Determination**
The College of Office Technology
OPE ID: 02337800
PRCN: 200920526906

Dear Mr. Galva:

The U.S. Department of Education's (Department's) Chicago/Denver School Participation Division issued a program review report on August 10, 2011 covering the College of Office Technology's administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2007-2008 and 2008-2009 award years. The institution's final response was received on February 27, 2012.

The Chicago/Denver School Participation Division has reviewed the College of Office Technology's responses to the Program Review Report. A copy of the program review report (and relayed attachments) and the College of Office Technology's responses are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by the College of Office Technology upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Although the findings in the program review report identified serious concerns, this office has made a decision to close the review based on the length of time that has passed since the examination of those records, and the institution's subsequent closure approximately on 12/15/2013.

Chicago/Denver School Participation Division
500 West Madison, Suite 1576
Chicago, Illinois 60661

Federal Student
OFFICE OF FEDERAL STUDENT AID

The College of Office Technology

OPE ID: 02337800

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As a result, the College of Office Technology may consider the program review closed with no further action required.

If you have any questions, please contact Herschel D. Wallace III at (312) 730-1537.

Sincerely



Douglas A. Parrott

Division Director

Chicago/Denver School Participation Division

Enclosure: Program Review Report (with Attachments)

The College of Office Technology's Response to the Program Review Report

Cc: Paula Terronez, Financial Aid Director
Illinois Board of Higher Education
Accrediting Council for Independent Colleges and Schools
Department of defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for

**The College of Office
Technology**

OPE ID 023378

PRCN 200920526906

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team - Chicago



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FEDERAL STUDENT AID



Program Review Report
August 10, 2011

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Institutional Information

The College of Office Technology
1520 West Division Street
Chicago, Illinois 60622

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 293 (2008/09)

% of Students Receiving Title IV: 85 % (2008/09)

Title IV Participation (PEPS):

	2008/09
Federal Pell Grant	\$ 1,653,283
Federal SEOG	\$ 68,200
Federal Family Educational Loan Program	\$ 2,470,785

Default Rate FFEL/DL:	2006	28.6%
	2005	21.2%
	2004	19.8%

A. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at The College of Office Technology (COT) from February 9-13, 2009. The review was conducted by Byron Scott, Sarah Adams and Janette Adams.

The focus of the review was to determine COT's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of COT's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2007/08 and 2008/09 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, Higher Education Act (HEA) program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning the institution's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve COT of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination Letter.

B. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by the institution to bring operations of the financial aid programs into compliance with the statutes and regulations.

1. Improper 90/10 Calculation Reported in Audited Financial Statements for Fiscal Years Ended June 30, 2006 and June 30, 2007

Citation: Prior to enactment of the Higher Education Opportunity Act (HEOA) on 8/14/08, in order to satisfy the statutory and regulatory definitions of an eligible institution of higher education, a proprietary institution was required to meet the "90/10 Rule", which mandates that a proprietary institution derive no more than 90 percent of its revenues from Title IV, HEA program funds. U.S.C. § 1002(b)(1)(F); 34 C.F.R. § 600.5(a)(8). If a proprietary institution

failed to meet the 90/10 Rule for an institutional fiscal year, the institution became ineligible to participate in the Title IV, HEA programs as of the last day of that fiscal year. 34 C.F.R. § 600.40(a)(2).

In determining whether no more than 90 percent of revenues are from Title IV funds, an institution must examine its revenues under the following formula defined at 34 C.F.R. § 600.5(d)(1) for each fiscal year:

Title IV, HEA program funds the institution used to satisfy its students' tuition, fees, and other institutional charges to students

The sum of revenues including Title IV, HEA program funds generated by the institution from: tuition, fees, and other institutional charges for students enrolled in eligible programs as defined in 34 CFR 668.8; and activities conducted by the institution, to the extent not included in tuition, fees, and other institutional charges, that are necessary for the education or training of its students who are enrolled in those eligible programs

An institution must use the cash basis of accounting when calculating the amount of Title IV program funds in the numerator and the total amount of revenue generated by the institution in the denominator of the fraction as noted in 34 C.F.R. § 600.5(d)(2).

In calculating the amount of revenue generated by the institution from institutional scholarships, the institution must include only the amount of funds it disbursed during the fiscal year from an established restricted account and only to the extent that the funds in that account represent designated funds from an outside source or income earned on those funds. 34 C.F.R. § 600.5(d)(3)(ii).

With regard to the formula specified above, 34 C.F.R. § 600.5(e)(1) states an institution may not include as Title IV program funds in the numerator nor as revenue generated by the institution in the denominator:

- (i) The amount of funds it received under the Federal Work-Study (FWS) Program, unless the institution used those funds to pay a student's institutional charges in which case the FWS program funds used to pay those charges would be included in the numerator and the denominator;
- (ii) The amount of funds it received under the Leveraging Educational Assistance Partnership (LEAP) Program (formerly known as the State Student Incentive Grant or SSIG Program);
- (iii) The amount of institutional funds it used to match Title IV program funds;
- (iv) The amount of Title IV program funds that must be refunded or returned under 34 CFR 668.22; or
- (v) The amount charged for books, supplies, and equipment unless the institution includes that amount as tuition, fees, or other institutional charges.

In determining the amount of Title IV program funds received by the institution under the cash basis of accounting, the institution must presume that any Title IV funds disbursed or delivered to or on behalf of a student will be used to pay the student's tuition, fees, or other institutional charges, regardless of whether the institution credits those funds to the student's account or pays those funds directly to the student, and therefore must include those funds in the numerator and denominator. 34 C.F.R. § 600.5(e)(2). A regulatory exemption at 34 C.F.R. § 600.5(e)(3) from this presumption provides that Title IV funds are not presumed to pay institutional charges where institutional charges are satisfied by:

- i. Grant funds provided by non-Federal public agencies, or private sources independent of the institution;
- ii. Funds provided under a contractual arrangement with Federal, State, or local government agencies for the purpose of providing job training to low-income individuals who are in need of that training, e.g., Job Training Partnership Act (JTPA);
- iii. Funds provided by State prepaid tuition plans.

A proprietary institution must disclose in a footnote to its annual financial statement audit the percentage of its revenues derived from the Title IV, HEA program funds that the institution received during the fiscal year covered by the audit. 34 C.F.R. § 668.23(d)(4). The revenue percentage must be calculated as described above.

An institution must notify the Secretary within 90 days following the end of the fiscal year if it fails to satisfy the 90/10 requirement. 34 C.F.R. § 600.5(f). If an institution loses its eligibility because it failed to comply with the 90/10 requirement, to regain eligibility it must demonstrate compliance with all eligibility requirements for at least the fiscal year following the fiscal year it violated the 90/10 requirement. 34 C.F.R. § 600.5(g).

As a result of the Higher Education Opportunity Act, enacted 8/14/08, some aspects of the 90/10 rule changed. There were changes to the calculation of the percentage of revenue earned from Title IV, as well as changes to the effects of a violation of the 90/10 rule on institutional eligibility. The Department published final regulations regarding changes to the 90/10 rule on 10/29/09. This finding discusses COT's 90/10 calculations for the fiscal years-ended June 30, 2006, 2007 and 2008, however due to the Higher Education Opportunity Act, some of the actions required by COT's errors in its 90/10 calculation for fiscal years 2006, 2007 and 2008 will be discussed under separate cover.

Noncompliance: The audited financial statements for the fiscal years ended June 30, 2006, 2007 and 2008 for the Assurance Corporation, submitted on behalf of The College of Office Technology, were prepared by Dam, Snell and Taveirne, Ltd. The footnote to COT's original audited financial statements for the fiscal year ended 6/30/07 reported the percentage of revenues derived from Title IV, HEA program funds as 89.34%. The footnote disclosed Title IV revenues of \$4,001,957 and total eligible cash receipts of \$4,479,690. The Title IV revenue was

composed of \$1,952,104 in FFEL funds and \$2,049,843 in Federal Pell Grant funds. The non-Title IV revenue included \$397,983 from "other income" and \$79,750 from "equipment sales."

The Department's Office of the Inspector General conducted a Quality Control Review of COT's audit and financial statement for the fiscal year ended 6/30/07. As a result of that review, Dam, Snell and Taveirne, Ltd reissued the 6/30/07 audited financial statements for COT which contained a revised 90/10 calculation. The footnote to COT's revised audited financial statements for the fiscal year ended June 30, 2007 reported the percentage of revenues derived from Title IV, HEA program funds as 91.14%. The footnote disclosed Title IV revenues of \$4,001,957 and total eligible cash receipts of \$4,390,810. In the revised calculation, COT did not include the \$79,750.00 from the equipment sales in the denominator of the equation.

During the on-site program review, the reviewers determined that a significant amount of the revenues that COT reported as non-Title IV cash in its 90/10 calculations were actually composed of Title IV funds. The reviewers also determined that for the purposes of the 90/10 calculation, COT included as non-Title IV revenues cash paid by students enrolled in its Phlebotomy program, a program not eligible for Title IV funding. The Phlebotomy program is only nine quarter credits in length and thus does not meet the definition of an eligible program at 34 C.F.R § 668.8(d). As a result of these determinations, the reviewers requested additional information about all COT cash receipts for the fiscal years-ended 6/30/06 and 6/30/07. COT provided a cash detail report for fiscal year 2006 on 3/26/09, and it provided the information for fiscal year 2007 on 5/7/09.

The footnote to COT's audited financial statements for the fiscal year ended 6/30/06 reported the percentage of revenues derived from Title IV, HEA program funds as 86.71%. The footnote disclosed Title IV revenues of \$3,315,230 and total eligible cash receipts of \$3,823,548. The Title IV revenue was composed of \$1,725,427 in FFEL funds and \$1,589,803 in Federal Pell Grant funds. The non-Title IV revenue included \$430,018 in "other income" and \$78,300 in "equipment sales."

The footnote to COT's audited financial statements for the fiscal year ended June 30, 2008 reported the percentage of revenues derived from Title IV, HEA program funds as 89.19%. The footnote disclosed Title IV revenues of \$3,395,426 and total eligible cash receipts of \$3,807,073. The Title IV revenue was composed of \$1,779,699 in FFEL funds and \$1,615,727 in Federal Pell Grant funds. The non-Title IV revenue included \$411,647 in "other income."

During the on-site review, the reviewers observed that when students received disbursements of Title IV credit balances, they received two separate checks for the total amount due. For example, if a student was due \$1,000.00, she or he received two checks for \$500.00. COT officials were unable to provide an explanation of this unusual practice. The reviewers interviewed three enrolled students who explained how the stipend check process functioned. The students informed the reviewers that they first received only one check, which they were directed to cash at a nearby bank. They were then required to return to COT with the cash proceeds from this check and use the proceeds to buy their required books from COT. It was

only after students returned to COT with the cash proceeds from the first check and paid the amount due for their books that they were given the second check for the remainder of the excess Title IV funds on their accounts, which they could then use for living expenses such as rent, food and other personal expenses. COT only released excess Title IV funds to students for living expenses after requiring students to cash a separate check composed of FFEL loan proceeds and return those proceeds to COT to purchase books.

The dates when students paid for their books with the proceeds of the credit balance checks were not connected to the dates when students actually received their books. COT normally did not request disbursements of FFEL funds until after the 60% point of any term, however it provided books to students at the beginning of terms. The reviewers were able to review the invoices for the book purchases for some students. For example, the book invoices for Student #3 showed she received books worth \$380.00 for the first quarter on 11/28/07, although her account card shows she did not pay for the books until 1/30/08. She received books worth \$220.00 for her second quarter on 3/3/08, although her account record shows she did not pay for her books until 5/1/08. The student's receipt of books was not dependent upon her payment for the books.

The book invoices for Student #30 showed she received books worth \$600.00 for her first quarter on 7/28/08, however her account card shows she did not pay for these books until 9/18/08. Student #30 received books worth \$440.00 for the second quarter on 10/6/08 and purportedly received a check to cash for these books on 12/11/08, however as of 1/31/09, that check had not cleared the bank and the student informed the reviewers she had not received the check. The student received books worth \$227.00 for the third quarter on 1/5/09, however there was no record that she had received a check to pay for them. As was the case with Student #3, the date that the student received the books was not connected to the date that she paid for the books.

The reviewers obtained the Book Charge Validation form for Student #3. It was signed by the Financial Aid Officer on 11/28/07 and showed the student was authorized to charge up to \$950.00 for books and that those funds were available for one week. This form showed the funds were available from Financial Aid. The "Book Charge Validation" form for Student #30 was signed by the Financial Aid Officer on 7/25/08 and stated that the student had funds available to charge her account for an amount not to exceed \$1,100.00 for books. This form was purportedly only valid for one week. The form said that the book charge funds were available from cash and not financial aid. As the student had made no cash payment to COT as of 7/25/08, it is unclear why the form showed the funds were available from cash. It is unclear why COT would make a student cash checks to pay for books when the students had previously received the books and COT had authorized the students to charge cost the books to their accounts at the institution.

All students were required to sign a Student Authorization Letter (see also Finding #13). This form, which was signed by all reviewed students, stated, "I authorize the College of Office Technology to credit my account for the payment of tuition, mandatory fees, **books**, (emphasis added) and supplies totaling \$(amount)... in accordance with my enrollment agreement." The amount shown on each student's authorization letter was the total amount of institutional charges

shown on each student's enrollment agreement. The amount from the enrollment agreement included the cost of books. COT required students to sign a letter authorizing it to use Title IV funds to credit the student's account with Title IV funds for student book charges, however it then required students to cash a check composed of Title IV funds in order to return that cash to COT to pay for books.

It appears that although COT required students to authorize COT to charge book purchases to their accounts, its practice required students to cash Title IV credit balance checks to pay for books that they had already received. Students were required to return the proceeds of the checks they cashed to COT in order to receive the checks that they needed for their personal living expenses. COT recorded the student payments for books as student (i.e. non-Title IV) cash receipts, even though the payments were actually the proceeds of FFEL disbursements. It appears that the only purpose for giving students checks to cash and requiring them to return that cash to COT to buy books they had previously obtained was to create a cash receipt that COT could attribute to non-Title IV cash for the purposes of the 90/10 calculation, thereby circumventing the requirements of the 90/10 rule. The cash detail reports provided to the Department by COT showed that total payments for books (purportedly non-Title IV cash) in fiscal year 2006 were \$229,281.89. Because these amounts were actually paid from the proceeds of FFEL loans, the Department removed \$229,281.89 from the denominator of its recalculation of the fiscal year 2006 90/10 percentage. The cash detail report provided to the Department by COT showed that total payments for books (purportedly non-Title IV cash) in fiscal year 2007 were \$246,208.52. Because these amounts were actually paid with the proceeds of FFEL loans, the Department removed \$246,208.52 from the denominator of its recalculation of the fiscal year 2007 90/10 percentage. The cash detail report provided to the Department by COT showed that total payments for books (purportedly non-Title IV cash) in the first six months of fiscal year 2008 were \$89,425.00. Because these amounts were actually paid with the proceeds of FFEL loans, the Department removed \$89,425.00 from the denominator of its recalculation of the fiscal year 2008 90/10 percentage.

For the purposes of the 90/10, COT improperly included cash payments from students enrolled in its Phlebotomy program as non-Title IV revenues. Because the Phlebotomy program is only nine quarter credits in length and is not an eligible program for Title IV purposes, receipts from students in this program could not be included in COT's 90/10 calculations for fiscal years 2006, 2007 and 2008. The Department identified student payments for the ineligible Phlebotomy program from the cash detail report provided by COT, as well as copies of student payment receipts. Therefore, the Department removed \$28,985.00 in Phlebotomy payments from the denominator of its recalculation of the fiscal year 2006 90/10 percentage. The Department removed \$50,945.00 in Phlebotomy payments from the denominator of its recalculation of the fiscal 2007 year 90/10 calculation. The Department removed \$6,210.00 in Phlebotomy payments from the denominator of its recalculation of the fiscal 2007 year 90/10 calculation. The Phlebotomy receipts for 2008 include only the first six months of the fiscal year.

COT recorded all cash receipts from all sources in the denominator of its 90/10 calculations. COT included receipts from student purchases of non-mandatory supplies, student payments for

transcripts and graduation fees, and other purposes that are not payments for tuition, fees or other institutional charges for students enrolled in eligible program. The cash detail report showed that receipts totaling \$3,247.25 in fiscal year 2006 were from student purchases of non-mandatory supplies, transcripts or other purposes that were not tuition, fees or other institutional charges for students enrolled in eligible programs. The Department removed \$3,247.25 from the denominator of its recalculation of the fiscal year 2006 calculation. The cash detail report for 2007 showed that receipts totaling \$12,397.72 in fiscal year 2007 were from student purchases of non-mandatory supplies, transcripts or other purposes that are not tuition fees, or other institutional charges for students enrolled in eligible programs. The Department removed \$12,397.72 from its recalculation of the fiscal year 2007 90/10 calculation. The cash detail report for 2007 showed that receipts totaling \$1,165.00 in the first six months of fiscal year 2008 (July-December 2007) were from student purchases of non-mandatory supplies, transcripts or other purposes that are not tuition fees, or other institutional charges for students enrolled in eligible programs. The Department removed \$1,165.00 from its recalculation of the fiscal year 2008 90/10 calculation.

There were discrepancies between the amounts reported in the footnote to the audited financial statements for the fiscal year-ended 6/30/06, and COT's Cash-Flow-In ledger. The ledger showed Federal Pell Grant receipts were \$1,708,919.53, a difference of \$119,116.53 from the amount shown in the footnote to the 2006 financial statements. The Department added \$119,116.53 to the numerator and denominator of its recalculation of the fiscal year 2006 90/10 calculation, the difference between the amount in the financial statement footnote and the amount on the ledger. The ledger showed total "other income" was \$329,233.87, \$100,784.13 less than the amount shown in the footnote to the 2006 financial statements. The accounting records obtained on-site did not substantiate the auditor's figure of \$430,018.00 for other income. There were also mathematical errors in the ledger total. After correcting the mathematical errors on the ledger, the correct total for other income on the ledger was \$328,173.87. The Department removed \$101,844.13 from the denominator of its recalculation of the fiscal 2006 90/10 calculation, the difference between the amount in the financial statement footnote and the correct total amount on the ledger.

There were also discrepancies between the amounts reported in the footnote to the audited financial statements for the fiscal year-ended 6/30/08 and COT's Cash-Flow-In ledger. The ledger showed Federal Pell Grant receipts were \$1,615,733.92, a difference of \$6.92 from the amount shown in the footnote to the 2008 financial statements. The ledger showed FFEL receipts were \$1,778,947.25, a difference of \$751.75 from the amount shown in the footnote to the 2008 financial statements. The Department subtracted \$744.83 from the numerator and denominator of its recalculation of the fiscal year 2008 90/10 calculation, the difference between the amount in the financial statement footnote and the amount on the ledger. The ledger showed total "other income" was \$388,604.64, \$25,042.36 less than the amount shown in the footnote to the 2008 financial statements. The accounting records obtained on-site did not substantiate the auditor's figure of \$411,647.00 for other income. The Department removed \$25,042.36 from the denominator of its recalculation of the fiscal 2008 90/10 calculation, the difference between the amount in the financial statement footnote and the total amount on the ledger.

The Department reviewed the institution's handwritten "Cash-Flow-In" ledgers for fiscal years 2006 and 2008. The review disclosed that COT included \$6,165.00 in Federal Pell and FSEOG ACA as non-Title IV revenue for the 90/10 calculation. The Department removed \$6,165.00 from its recalculation of the fiscal 2006 90/10 calculation for the reasons described above regarding the fiscal year 2007 90/10 calculation. The review disclosed that COT included \$6,710.00 in Federal Pell and FSEOG ACA as non-Title IV revenue for the 90/10 calculation. The Department removed \$6,710.00 from its recalculation of the fiscal 2008 90/10 calculation for the reasons described above regarding the fiscal year 2007 90/10 calculation.

For the reasons described above regarding the fiscal year 2007 90/10 calculation, the Department also removed \$78,300.00 in equipment sales from its recalculation of the fiscal year 2006 90/10 calculation.

After correcting the errors described above, the Department determined that for the fiscal year ended June 30, 2006, the correct percentage of revenue derived from Title IV, HEA program funds was 98.27%. This calculation was based on Title IV revenues of \$3,434,346.63 and total eligible cash receipts of \$3,494,841.36. After correcting the errors described above, the Department determined that for the fiscal year ended June 30, 2007, the correct percentage of revenue derived from Title IV, HEA program funds is 98.07%. This calculation was based on Title IV revenues of \$3,995,957.07 and total eligible cash receipts of \$4,074,659.26.

During the on-site review, the reviewers obtained accounting records related to the 90/10 calculation for only the first six months (July-December 2007) of the fiscal year-ended June 30, 2008. After correcting the errors described above, based on information for only a portion of the fiscal year, the Department determined that for the fiscal year ended June 30, 2008, the correct percentage of revenue derived from Title IV, HEA program funds is 92.30%. This calculation was based on Title IV revenues of \$3,394,681.17 and total eligible cash receipts of \$3,677,775.81.

Required Action: In response to this report, COT must provide a copy of its Cash-Flow-In ledger for the period January 1 to June 30, 2008. It must provide copies of any and all ledgers, journals, cash deposit records that detail the amounts and sources of all cash receipts by the institution during the entire fiscal year ended 6/30/08. COT must provide detailed listings identifying cash receipts from students for tuition, books, Phlebotomy tuition, starter kits and other non-mandatory supplies, and other cash receipts such as for transcripts. The listing must identify the name of each student for whom cash was received, the date and amount of each transaction. The listing must be provided in spreadsheet format in the same manner as the information provided to the reviewers during and immediately following the on-site review for fiscal years 2006 and 2007. COT must also provide an electronic version of the spreadsheet in Excel format in response to this report.

As a result of the Department's recalculation of the percentage of revenues derived from Title IV, HEA funds for the fiscal year-ended 6/30/06, COT ceased to meet the definition of an eligible institution 7/1/06. If COT had properly calculated the percentage of revenues derived

from Title IV funds, it should have notified the Department that it failed to satisfy the 90/10 rule no later than 9/28/06, 90 days after the end of the fiscal year.

Because COT did not meet the definition of an eligible institution subsequent to 6/30/06, all Title IV, HEA funds disbursed to students beginning 7/1/06 were improperly disbursed to ineligible students and represent an institutional liability. The requirements based on the errors in COT's 90/10 calculation for the fiscal years ended June 30, 2007 and 2008 will be addressed under separate cover. Instructions for the repayment of any liabilities will be provided in the final program review determination.

2. Student Eligibility Not Properly Determined

Citation: During the period under review, Section 483(e) of the Higher Education Act of 1965, as amended, required that if anyone other than a student, the student's spouse, or the student's parents prepares the application for Title IV assistance, then the preparer must include his/her name, his/her company's name (if applicable) and address, and either his/her Social Security Number, or the company's Employer Identification Number. With the paper Free Application for Federal Student Aid (FAFSA), the preparer must also sign the form. High school counselors, aid administrators, and others who help students with their applications by actually filling out line items on the form or dictating responses to items on the form are considered preparers. Preparers must complete this section even if they are not paid for their services. See *Application and Verification Guide, 2008-09 Federal Student Aid Handbook*, Chapter 2.

Section 483(a) of the HEA requires application data to be submitted with a student (and parent, if applicable) signature, or the student may sign with a personal identification number provided by the Secretary. Section 483(d) of the HEA requires that a preparer that provides consultative or preparation services shall clearly inform each individual upon initial contact that the FAFSA is a free form that may be completed without professional assistance via paper or electronic version of the forms that are provided by the Secretary.

By signing the FAFSA, the applicant is assuming responsibility for the accuracy of the information reported. If a student is dependent, one parent whose information is reported on the FAFSA must provide a signature. The student (and parent, if applicable) must sign the paper FAFSA, the web summary, or signature page, or sign by using a PIN issued by the Secretary. See *Application and Verification Guide, 2008-09 Federal Student Aid Handbook*, Chapter 2.

Federal regulation 34 C.F.R. § 668.40(a)(1) states that a student is ineligible to receive Title IV, HEA program funds, for the period described below, if the student has been convicted of an offense under any federal or state law involving the possession or sale of illegal drugs for conduct that occurred during a period of enrollment for which the student was receiving Title IV, HEA program funds. However, the student may regain eligibility before that time period expires under the conditions described in paragraph (c) of this section. Federal regulation 34 C.F.R. § 668.40(b)(1) states that if a student has been convicted only one time for possession of illegal

drugs, the student is ineligible to receive Title IV, HEA program funds for one year after the date of conviction. If the student has been convicted two times for possession of illegal drugs, the student is ineligible to receive title IV, HEA program funds for two years after the date of the second conviction, or if the student has been convicted three or more times for possession of illegal drugs, the student is ineligible to receive Title IV, HEA program funds for an indefinite period after the date of the third conviction. If a student successfully completes a drug rehabilitation program as described in 34 C.F.R. § 668.40(d) after the student's most recent drug conviction, the student regains eligibility on the date the student successfully completes the program. 34 C.F.R. § 668.40(c)

The student's compliance with the provisions of 34 C.F.R. § 668.40 is determined based on her/his answer to Question 31 of the paper 2007-08 and 2008-09 FAFSA, which states, "**Do not leave this question blank.** Have you been convicted for the possession or sale of illegal drugs for an offense that occurred while you were receiving federal student aid (such as grants, loans, or work-study)? If you have, answer "Yes," complete and submit this application, and we will send you a worksheet in the mail for you to determine if your conviction affects your eligibility for aid. If you are unsure how to answer this question, call 1-800-433-3243 for help." Nearly all students at COT completed a paper FAFSA. Students who fill out a FAFSA online and answer "Yes" to this question immediately receive a series of questions to determine their eligibility. Students who leave question 31 blank cannot be paid Title IV aid until they respond by submitting a corrected SAR or ISIR. See *Application and Verification Guide, 2008-09 Federal Student Aid Handbook*, Chapter 2.

If an institution submits corrections or updates to a student's application information using FAA Access to CPS Online, the institution must have signed documentation from the student supporting the change. See *Application and Verification Guide, 2008-09 Federal Student Aid Handbook*, Chapter 5.

Noncompliance: The reviewers observed that most sampled students utilized a paper FAFSA to apply for Title IV assistance. A COT official electronically transmitted information from the paper FAFSA to the Central Processor for processing using FAA Access to CPS Online. There were many reviewed students who did not answer all required questions on the paper FAFSA. COT officials often completed some questions left unanswered by students on the paper FAFSA, while leaving other questions unanswered. In some cases, COT officials electronically submitted information that was not reported on students' FAFSAs. There were several reviewed files for which FAFSA data was at least partially completed by COT officials. In no case where a COT official completed portions of the paper FAFSA did the COT official provide his/her signature as required by the HEA, nor did he or she provide his/her name, his/her company's name and address, and either his/her Social Security Number, or the company's Employer Identification Number.

The second ISIR for Student #2 for the 2007-08 award year showed that COT submitted corrections to the student's application information. COT reduced the amount from Worksheet A from \$9,650.00 to \$2,747.00. COT reduced the amount from Worksheet B from \$600.00 to

\$0, and it reduced the amount of the total balance of the student's cash, savings and checking accounts from \$25.00 to \$0.00. There was no signed documentation in the student's file supporting these changes, nor was there any record of how COT had determined these were the correct amounts to report.

The file for Student #3 contained an "Affidavit for Students and Parents Who Have Not Filled (sic) Income Tax Return Forms or Have Non-Taxable Income" that was for the calendar year 2006. The form listed a variety of sources of income, including child support, AFDC, welfare, other governmental financial support programs, as well as other sources of income reported on Worksheet B of the FAFSA. There was also a space for an amount listed as "Housing, Food, & Other Living Allowances From Military, Clergy and Others (Include Cash Payment & Cash Value of Benefits)." "\$3,800" was written on this line item for calendar 2006. The student signed the form 10/30/07. Although the student's FAFSA showed the student had reported that she or a member of her household received Food Stamps and Free or Reduced Price Lunch, no other area of the affidavit showed any income. The student's ISIR showed her family size was five, and that her total family income was \$3,800.00.

The file for Student #4 also contained an "Affidavit for Students and Parents Who Have Not Filled (sic) Income Tax Return Forms or Have Non-Taxable Income." This form listed a variety of sources of income, including child support, AFDC, welfare, other governmental financial support programs, and other items reported on Worksheet B of the FAFSA. There was also a space for an amount listed as "Housing, Food, & Other Living Allowances From Military, Clergy and Others (Include Cash Payment & Cash Value of Benefits)." \$3,800 was written for this line item. The student signed the form 6/11/07. Although the student's FAFSA showed the student had reported that she or a member of her household received Food Stamps, Free or Reduced Price Lunch and WIC, no other area of the affidavit indicated any income. The student's ISIR showed her family size as six her total family income was \$3,800.00.

Student #4 completed a paper FAFSA and signed it on 4/16/07. Questions #38-40 were unanswered. In handwriting that did not match the other handwriting on the form, "3,800" was written as the amount from Worksheet B, although there was no copy of Worksheet B in the student's file. Someone had drawn a line from the final zero of "3,800" through questions #42 through #47, where "0" was written. Student #4 answered "yes" to Question #31, meaning she had a drug conviction that affected her eligibility for Title IV assistance. COT transmitted the student's application data using FAA Access to CPS Online. The student's ISIR showed that COT submitted "no" as the student's answer to Question #31, despite the student's answer of "yes." There was no documentation in the file to support COT's change in the student answer. There was no evidence that the student had completed the worksheet mailed to students who complete the paper FAFSA and who answer "yes" to Question #31.

Student #5 applied for financial aid using a paper FAFSA, which she signed in November, 2007 (The date the student signed the FAFSA was not recorded. The FAFSA was processed on 11/20/07). The student did not answer all required questions on the FAFSA. Questions #21, #23, #24, #27-#30, #48, #50 and #51 were completed by a COT official. Questions #32-#47,

#49 and #52-55 were unanswered on the FAFSA. The student's ISIR showed that COT had submitted the student's FAFSA data using FAA Access to CPS Online. The ISIR showed answers to all the unanswered questions listed above. The ISIR showed the student's income from work was \$7,000.00 and the total from Worksheet B was \$252.00. There was no documentation in the file that showed how COT had determined the information it provided to the Central Processor was the correct information for this student. This student is also discussed below under Finding #4.

Student #6 applied for financial aid using a paper FAFSA, which she signed on 3/31/08. The student did not answer all required questions on the FAFSA. Questions #21, #23, #24, #29, #30, #32, #35-#47, #51, #93, #96 and #97b were completed by a COT official. Questions #25-#28, #48-#50 and #52-55 were unanswered on the FAFSA. The student's ISIR showed that COT had submitted the student's FAFSA data using FAA Access to CPS Online. The ISIR showed answers to all the unanswered questions listed above. The only income shown on the FAFSA was \$4,000.00 from Worksheet B, although there was no Worksheet B in the student's file. The COT official had drawn a slash mark through the answer area for questions #35-#40 and #43-#47, although the ISIR shows that COT reported \$0 as the answer to all of these questions. There was no documentation in the student's file to show how COT had determined that the student had received \$4,000.00 in income from the sources reported on Worksheet B.

Student #8 applied for Title IV assistance using a paper FAFSA, which she signed on 1/29/07. She reported on the FAFSA that she was not going to file a 2006 tax return, and she reported she had earned no income in 2006, and had no cash or savings, nor any investments. The student did not answer question #41, the total amount from Worksheet B. The student's file did not contain a copy of Worksheet B. The student's file contained an "Affidavit for Students and Parents Who Have Not Filled (sic) Income Tax Return Forms or Have Non-Taxable Income." This form listed a variety of sources of income, including child support, AFDC, welfare, other governmental financial support programs, and other items reported on Worksheet B of the FAFSA. There was also a space for an amount listed as "Housing, Food, & Other Living Allowances From Military, Clergy and Others (Include Cash Payment & Cash Value of Benefits)." A COT official had written \$3,800 for this line item and had written that the student had no income from any other source. The student signed this form on 1/31/07. This amount was not written on the student's FAFSA, however COT had reported the student had \$3,800.00 in its answer to Question #41 when it submitted the student's FAFSA data using FAA Access to CPS Online. It is unclear why a COT official would complete a form showing a student had \$3,800.00 in income from "Housing, Food, & Other Living Allowances From Military, Clergy and Others (Include Cash Payment & Cash Value of Benefits)," when the student had not reported this on her FAFSA.

Student #13 applied for Title IV assistance for the 2007-08 and 2008-09 award years by completing paper FAFSAs. The student signed the FAFSAs for both award years on 3/31/08. Both ISIRs showed the student reported his only source of income for 2006 and 2007 was \$3,800.00 from sources reported on Worksheet B. The student's file contained two "Affidavits for Students and Parents Who Have Not Filled (sic) Income Tax Return Forms or Have Non-

Taxable Income.” This form listed a variety of sources of income, including child support, AFDC, welfare, other governmental financial support programs, and other items reported on Worksheet B of the FAFSA. There was also a space for an amount listed as “Housing, Food, & Other Living Allowances From Military, Clergy and Others (Include Cash Payment & Cash Value of Benefits).” The student had written \$3,800 for this line item and reported no income from any other source for both 2006 and 2007. The student signed both forms on 3/31/08. According to these forms, the student received exactly \$3,800.00 in income from “Housing, Food, & Other Living Allowances From Military, Clergy and Others (Include Cash Payment & Cash Value of Benefits)” in both 2006 and 2007, and that the \$3,800 from this source was his only source of income in both years. The student’s file contained a copy of IRS Form 4506-T, “Request For Transcript of Tax Return,” which the student signed 3/31/08, however there was no response from the IRS in the student’s file. The student reported on his FAFSAs that he was independent because he provided at least half the support for his child. The student reported his only source of government benefits was Food Stamps, not any of the other child welfare programs such as WIC or TANF. The student’s application for his FFEL loan showed he lived with his mother. If the student’s only source of income was food stamps, it is questionable if he is providing at least half the support for his child, particularly as he reported no income from government support programs for families with children. The Department also considers it highly unlikely that this student received exactly \$3,800.00 in total income in both 2006 and 2007.

Student #15 applied for financial aid using a paper FAFSA, which she signed on 7/23/07. The student did not answer all required questions on the FAFSA. Questions #21-#30, #48-#50 and #52-55 were unanswered on the FAFSA. Questions #32, #35-#47, #51, #90, #91 and #97b were completed by a COT official. We note the student answered her questions using ink, however the answer to Question #41 was written with a pencil. The student’s ISIR showed that COT had submitted the student’s FAFSA data using FAA Access to CPS Online. The COT official had drawn a slash mark through the answer area for questions #35-#40 and #43-#47, although the ISIR shows that COT reported \$0 as the answer to all of these questions. The ISIR showed COT had submitted answers to all the unanswered questions listed above. A COT official wrote the answer to Question #51, “Do you have children who received more than half of their support from you?” as “yes” on the 2007-08 FAFSA for Student #15. The remaining dependency questions were unanswered. The institutional official also completed the “Affidavit for Students and Parents Who Have Not Filled Income Tax Return Forms Or Have Non-Taxable Income” and wrote that \$3,800.00 was the amount of “Housing, Food and Other Living Allowances From Military, Clergy and Others (Include Cash Payment and Cash Value of Benefits)” the student received in calendar year 2006. The student signed this form on 7/23/07. The student’s file contained a confidential questionnaire form. This form contained a note written by a COT official that the student lived with her mother. We note that the student was considered independent for Title IV purposes only because she reported she had a child for whom she provided at least half of the support. We note that the student reported no income or benefits from Food Stamps, Temporary Assistance to Needy Families, or WIC. It is unclear if the student reported no benefits from these governmental family support programs because her mother was actually providing support for her child.

Student #20 applied for financial aid using a paper FAFSA, which she signed on 4/17/08. The student did not answer all required questions on the FAFSA. Questions #32-#47, #49 and #51-#55 were unanswered on the FAFSA. Questions #18-#30, #48, #50 and #90-#97b were completed by a COT official. A COT official submitted the FAFSA data using FAA Access to CPS Online. Although all income questions on the FAFSA were blank, the student's ISIR showed her income from Worksheet A was \$9,708. All other income and asset amounts on the ISIR were \$0, although these amounts were not reported on the FAFSA. The student's file contained a Social Security benefits statement showing the student's husband received \$9,708.50 in net Social Security benefits. It is unclear why the student failed to answer all required questions on her FAFSA.

Student #22 applied for financial aid using a paper FAFSA, which she signed on 4/2/08. The student did not answer all required questions on the FAFSA. Questions #25-#27, #35-#37, #49, #50 and #52-#55 were unanswered on the FAFSA. Questions #14-#31, #32, #38-#45, #48, #51 and #90-#97b were completed by a COT official. A COT official answered "no" to Question #31 regarding a drug offense conviction affecting Title IV eligibility. The COT official responded that the student had \$8,460 in income from Worksheet A. There was no Worksheet A in the student's file. There was no documentation in the file to substantiate the amount reported from Worksheet A. The COT official drew a slash through the answers for questions #41-#45, however the ISIR showed the amounts were \$0. The ISIR showed that a COT official submitted the FAFSA data to FAA Access to CPS Online. It is unclear why the school official completed portions of the student's FAFSA.

Student #23 applied for financial aid using a paper FAFSA, which she signed on 1/10/08. The student did not answer all required questions on the FAFSA. Questions #49, #50 and #52-#55 were unanswered on the FAFSA. Questions #14-#48, #51 and #90-#97b were completed by a COT official. A COT official answered "no" to Question #31 regarding a drug offense conviction affecting Title IV eligibility. The student's FAFSA showed that the student's income from work and her AGI were both \$22,180, and that her income from Worksheet A was \$11,582. Information in the student's file showed the correct amount from Worksheet A was \$11,480 (this student is also discussed below under Finding #7). A COT official drew a slash through the answers for questions #41-#45 on the FAFSA, however the ISIR showed COT submitted answers of \$0. A COT official reported on the student's FAFSA that there were seven people in the student's household, and that there were two in college. The student's Verification Worksheet showed that there were only four in the student's household, and only one in college. It is unclear why COT reported incorrect information on the student's FAFSA, or why it completed portions of the FAFSA for the student.

Student #29 applied for financial aid using a paper FAFSA, which she signed on 6/9/08. The FAFSA appeared to have been fully completed by the student and her mother. The student's original paper FAFSA was in the student's file. Numerous answers on the FAFSA had been "whited-out" with correction fluid, and other answers had been changed. For example, the student had originally written that she had no income from Worksheet B, however someone had written \$1,577 on the correction fluid that covered the \$0 the student had written. The student's

answer to the amount she had earned from work had been written over as well. It is not clear what amount the student had originally reported she earned from work.

Question #51 states "Do you have children who receive more than half of their support from you?" The student's answer of "no" to Question #51 had been covered with correction fluid, and the answer changed to "yes." Due to the change in the answer to this question, the student's dependency status for Title IV purposes was changed from dependent to independent. The student, who was aged 19 during the on-site review, and her mother provided parental information when they completed the FAFSA. The family's answers to Questions #51, #62-#68, #79-#83 and #87 were covered with correction fluid. The FAFSA still showed the original answer regarding the parental marital status (that they were married). The date of the marriage was covered with correction fluid, as was the mother's Social Security Number, last name and birth date. The information about the parents' household size and number in college was covered with correction fluid, as was their state of legal residence. The FAFSA showed that their income information was from a completed IRS 1040 form. The information about the parents' income, income tax paid, exemption, and income from work was also covered with correction fluid. The value of the parents' total cash, savings and checking accounts had been covered with correction fluid, as had the parental signature.

The student's ISIR showed that a COT official had submitted the student's application data to FAA Access to CPS Online. The ISIR showed that COT had not provided any parental information on the application. The ISIR showed that the student's only income was \$1,577.00 from Worksheet B. It also showed that the student had answered "yes" to question #51, stating that she had a child for whom she provided at least half the support. The FAFSA showed the student was considered Independent for Title IV purposes.

Although Student #29 was not selected for verification, the student's file contained a Verification Worksheet for an independent student that the student signed on 7/17/08. This form showed the student reported there were two in her household. We note that because COT gave the student the verification form for independent students, she was not asked about her parents as part of her household. In handwriting that did not appear to be the student's, someone had written that the student received \$1,577.00 in child support.

The student's file contained a letter purportedly written by the student. The handwriting on the letter was not the same as the student's handwriting on other documents in the student's file. The letter stated that "for 2007, I supported my housing and utilities with the help of my granmother (sic) for me and my son. I have no contact with my mother or father. My mother is incarcerated and my father has never been there for me since I was small. I do recieve (sic) a small amount of child support in cash from the father of my son. This amount is about \$132.00 a month. Some months are less since he gives me whatever he can at the time. My granmother is really the only person that I can say is there for me and my son." The student's purported signature was not in the same handwriting as other student signatures in the file.

The reviewers interviewed Student #29. She informed the reviewers that she lived with her mother. She informed the reviewers that she received food stamps, but other than food, her mother paid all the bills. The student informed the reviewers that she did not live with her grandmother and had not previously lived with her grandmother.

The reviewers showed the student the letter she had purportedly written regarding living with her grandmother. She told the reviewers she had not seen the letter before and that it was not her signature on the letter. The reviewers showed the student her FAFSA that had been altered with correction fluid. She said she had not seen the correction fluid and that the FAFSA had been complete when she gave it to school officials because she and her mother had filled it out together at home. She confirmed that it was her signature on the FAFSA. The student had no idea why portions of her FAFSA had been altered with correction fluid.

According to the information in student files, Students #3, #4, #8, #13 and #15 all had each received exactly \$3,800.00 from "Housing, Food and Other Living Allowances From Military, Clergy and Others (Include Cash Payment and Cash Value of Benefits)" in calendar 2006, and this amount was the only source of income for each of these students. Student #13 also received exactly \$3,800.00 from this same source as his only source of income in calendar 2007. The Department's review showed that 33% of the students in the random sample for the 2007-08 award year reported exactly the same amount of income from the same indeterminate source for calendar 2006. The Department considers it highly unlikely that five independent and unrelated students received exactly \$3,800.00 as their only source of income in calendar year 2006.

Required Action: COT must immediately establish policies and procedures to ensure that all application data it provides to the Central Processor is accurate and complete. The procedures must describe how, if COT assists students and/or parents in completing the FAFSA, it will provide all information to the student and/or parent required by the HEA. The procedures must describe how COT will obtain and maintain applicant signatures for any corrections it submits on behalf of applicants. The procedures must describe how COT will ensure that any application is submitted on behalf of an applicant has been fully completed by the applicant. The procedures must describe how COT will ensure that the data it provides to the Central Processor is accurate and correctly and completely reflects the information provided to COT by the applicant.

COT must confirm the accuracy of the ISIR data that was used to award and disburse Title IV assistance to the above-cited students. For all ISIRs that have answers to questions or report information that was not provided by the student and/or parent on the FAFSA, COT must obtain student (and parent if applicable) confirmation of the ISIR data used to award and disburse Title IV funds to students. COT must obtain applicant signatures to verify the ISIR data. For Students #3, #4, #8, #13 and #15, COT must obtain a signed narrative statement explaining their sources of income for 2006.

For all students for whom a COT official provided the answer Question #31 (regarding a drug conviction affecting Title IV eligibility) by answering the question on the paper FAFSA or by submitting an answer using FAA Access on the Web which does not match the student's answer